

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 13, 2001

IN RE:

**PETITION OF ANTIOCH WATER
COMPANY TO INCREASE ITS RATES**

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**DOCKET NO.
99-00584**

ORDER GRANTING RATE INCREASE

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on January 9, 2001 for consideration of the Petition of Antioch Water Company ("Antioch" or the "Company") to increase its rates and the Petition to Intervene of the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate") filed on December 14, 2000.

Antioch's Petition

Antioch filed its Petition ("Antioch's Petition") with the Authority on August 11, 1999. Attached to Antioch's Petition are an exhibit showing Antioch's actual 1998 and projected 1999 revenues and expenses and the increase in revenue needed by the Company, an exhibit listing proposed improvements and the costs thereof, and the pre-filed testimony of Antioch's partners, Randy Allen and Ted R. Fields, as well as that of Jerry Bailey, an accountant. A copy of Antioch's Petition, together with the exhibits thereto, is attached hereto as Exhibit A. Antioch's Petition states that Antioch is a utility company with its principal place of business located at 11230 Highway 79 North, Buchanan, Tennessee 38222. Mr. Allen and Mr. Fields acquired the Antioch system in 1993. Antioch was granted its original Certificate of Public Convenience and

Necessity (“CCN”) by the Tennessee Public Service Commission (“TPSC”) on April 16, 1996. Antioch serves approximately 245 residential customers in Henry County. Antioch’s approved rate for water service is currently a flat rate of \$15.00 per month.

Antioch’s Petition asserts that its financial statements project a loss for 1999 and that numerous improvements are also necessary which will cost a total of approximately \$123,500.00. Antioch’s partners also propose to begin receiving an annual salary from Antioch of \$22,720.00 each. On this basis, Antioch asks the Authority to approve a rate increase to a flat monthly rate of \$36.30, representing a 142% increase, and an increase in tap fees from \$500.00 to \$1,000.00 for new connections.

Antioch’s Hearing

A Hearing in this matter was originally scheduled for March 14, 2000. At Antioch’s request, the Hearing was postponed. This matter ultimately came before the Authority at a Hearing on May 9, 2000. In attendance at the Hearing were the following parties:

Antioch Water Company – **J. Gilbert Parrish, Jr., Esq.**; 605 Court St.,
Suite 1, Savannah, TN 38372

Antioch Customers – Charles Robertson, John Young, and William Pitts;

At the Hearing, Antioch presented the testimony of Mr. Allen, Mr. Fields, and Mr. Bailey. These witnesses were questioned by the Directors, Mr. Parrish, and the Authority Staff. They were also questioned by Mr. Robertson, Mr. Young, and Mr. Pitts, who appeared on behalf of several Antioch customers who were in attendance. Mr. Robertson also made a statement and answered questions from the Directors. In addition, the Antioch customers in attendance submitted petitions and letters concerning Antioch’s Petition as well as a set of photographs of the Antioch system.

Mr. Vance Broemel of the Consumer Advocate Division (now the Consumer Advocate and Protection Division; hereafter the “Consumer Advocate”) attended the Hearing and stated that the Consumer Advocate did not wish to seek permission to intervene at that time. Mr. Broemel introduced Mr. Robertson and the other customers in attendance and assisted in off-the-record negotiations between the customers and the Company.¹

At the Hearing, Antioch’s witnesses supported the Company’s need for a substantial rate increase through testimony demonstrating that the Company would have difficulty meeting its obligations to its customers through its present rates. Antioch’s witnesses also testified that Antioch must make numerous repairs to its system required by the State of Tennessee, including providing an alternative power supply, upgrading the chlorination system, providing a backup pump, and installing a larger compressor. Antioch also proposed to replace a large number of valves and water boxes to allow it to shut off its customers’ water when necessary, but Antioch’s witnesses admitted that replacing the valves and water boxes is not required by the State.

Several matters of concern regarding Antioch’s conduct of business became apparent during the Hearing. In the TPSC’s June 27, 1996 Order granting Antioch a CCN, Antioch was ordered to keep its books and records in accordance with the Uniform System of Accounts for Class C water companies.² The testimony at Antioch’s Hearing revealed that Antioch has not done so. Mr. Bailey stated that the financial statement submitted in support of Antioch’s Petition was not an audit but instead a compilation of information given to him by Antioch and put in the form of a financial statement. Mr. Bailey admitted that he did not know whether Antioch kept its books in compliance with regulatory requirements.

¹ Transcript of Proceedings, May 9, 2000, pp. 5-6, 8.

² *Order*, TPSC Docket No. 95-03172 (June 27, 1996), p. 2.

The testimony also raised concerns about a personal loan from Antioch to Mr. Fields in the amount of \$1,500.00. This loan was taken out approximately three years prior to the Hearing. It did not carry any interest, and at the time of the Hearing Mr. Fields had made no repayments to Antioch on the principal amount.

Antioch's customers expressed concern over the sufficiency of notice about the rate increase. Antioch published a notice of the rate increase in the *Paris Post-Intelligencer*, the local paper in Paris, Tennessee, but only a short time before the Hearing date.³ The customers also noted a general lack of communication between Antioch and its customers. They expressed further concern and uncertainty about Antioch's cut-off policy and dissatisfaction with their water pressure, and they questioned the partners' practices with respect to reimbursement from Antioch for payment of the partners' expenses. Antioch had not retained an engineer to determine what was needed to improve its customers' water pressure.

At the conclusion of the Hearing, the Authority determined that Antioch's Petition should be held in abeyance pending the resolution of three specific areas of concern. First, the Authority directed Antioch's partners to submit to the Authority a loan repayment schedule showing how the loan to Mr. Fields will be repaid, with interest, to the Company. Second, the Authority directed the partners to retain an engineer and present to the Authority an estimate of the costs required to bring Antioch into compliance with State requirements and to provide adequate water pressure to its customers. Finally, the Authority directed the Authority Staff to perform a compliance audit of Antioch.⁴

³ Proof of Publication forms submitted by Antioch on May 5, 2000 show that Antioch published the notice on two days ending April 28, 2000 and again on one day, May 3, 2000.

⁴ See *Order Holding in Abeyance Decision on Petition Pending Compliance by Antioch Water Company*, Authority Docket No. 99-00584 (July 5, 2000).

On June 13 and 14, 2000, the Authority Staff conducted an on-site audit of the Company. The Staff issued its preliminary compliance audit report to Antioch on July 31, 2000. On August 2, 2000, Antioch responded to the preliminary report. On July 5, 2000, Antioch provided to the Authority an engineer's report which described the Company's system, calculated the estimated cost of replacing the system to meet current construction standards, and calculated a rate structure for the Company that would produce an appropriate return on investment. On August 3, 2000, the Authority Staff filed its compliance audit report (the "Staff Report"), which contains the Staff's audit findings, Antioch's responses thereto, and the Staff's recommendations. Exhibit 5 of the Staff Report contains a list of improvements needed by the Company, including a list of improvements "needed immediately," the costs of which total approximately \$47,150.00. A copy of this exhibit is attached hereto as Exhibit B. On November 22, 2000, Antioch's partners filed an affidavit with the Authority stating that the loan to Mr. Fields had been repaid. Upon completion of these matters, the Authority resumed its consideration of Antioch's Petition.⁵

The Consumer Advocate's Petition to Intervene

On December 14, 2000, the Consumer Advocate filed a Petition to Intervene (the "Consumer Advocate's Petition"), stating that the Staff Report raised issues that should be addressed before a final order is entered.

The Authority is not required to grant the Consumer Advocate's Petition, pursuant to Tenn. Code Ann. § 4-5-310(a), because the Petition was not filed with the Authority at least seven (7) days before the Hearing. Tenn. Code Ann. § 4-5-310(b), which gives administrative

⁵ On December 15, 2000, Mr. Robertson filed, via facsimile, comments to be considered by the Authority in this docket. Copies of the comments were made available to Antioch and the Consumer Advocate. In his comments, Mr. Robertson continues to protest Antioch's requested rate increase. Upon careful review, it appears that Mr. Robertson's comments contain no new facts or evidence that would warrant further continuation of this proceeding.

agencies discretion to grant petitions for intervention filed after the seven (7) day period, requires a determination by the agency that “the interests of justice and the orderly and prompt conduct of the proceedings shall not be impaired by allowing the intervention.” In view of this standard for intervention, the Authority finds that Consumer Advocate’s Petition is not timely and must be denied.

This docket has been active since August 1999. The Hearing was held on May 9, 2000 and was attended by a representative of the Consumer Advocate. The Consumer Advocate admittedly made the decision not to seek intervention at that time. The Staff Report, which allegedly raises concerns for the Consumer Advocate, was filed on August 3, 2000. Thus, the outstanding issues in this matter have long been addressed in a form that would allow the Consumer Advocate to determine whether intervention was necessary, yet the Consumer Advocate did not seek intervention until four months after the Staff Report was filed and at a time when Antioch’s Petition was ready for final consideration by the Authority.

Under these circumstances, the request for intervention by the Consumer Advocate at this late date would not promote “the orderly and prompt conduct of [these] proceedings,” inasmuch as the proceedings were ready to come to a conclusion as provided in the Authority’s July 5, 2000 Order. Antioch has requested prompt action on its request for a rate increase in order for the Company to meet State requirements. Mr. Robertson and the other customers, while not granted full intervention, adequately represented their interests in this matter. They were allowed to question witnesses and address the Directors concerning Antioch’s Petition. On December 15, 2000, Mr. Robertson submitted a two-page objection to Antioch’s proposed rate increase. The Consumer Advocate’s belated intervention request offered nothing beyond that which the ratepayers and the Authority have already addressed. At the January 9, 2001

Authority Conference, the Directors voted unanimously to deny the Consumer Advocate's Petition.⁶

Finding and Conclusions Regarding the Outstanding Issues

At the January 9, 2001 Authority Conference, documentation, including affidavits and the engineer's report, submitted by or on behalf of the Company in response to the Authority's July 5, 2000 Order and the Staff Report were admitted, without objection, into the record in this matter.

Also, at the January 9th Conference, based on a careful review of Antioch's Petition and of the entire record in this matter, the Authority made the following findings:

1. The loan from Antioch to Mr. Fields has been repaid with interest.
2. The Authority Staff completed its compliance audit of Antioch. The Company agreed with the findings set forth in the Staff Report and committed to take the necessary steps to ensure compliance. The Company shall report to the Authority within thirty (30) days that it is in compliance with the findings of the Staff Report.
3. The engineer's report submitted on behalf of Antioch provides information on the cost to complete all improvements proposed by the Company. Members of the Authority Staff involved in the compliance audit met with representatives from the Tennessee Division of Water Supply during the on-site audit and together they reviewed the engineer's report. Improvements deemed immediately necessary to bring Antioch's system into compliance with State requirements have been identified, as set forth in the Staff Report, with the cost estimated at approximately \$47,150.00. The Authority finds that the improvements and costs are prudent and

⁶ At the January 9, 2001 Authority Conference no one representing the Consumer Advocate appeared to speak in favor of the Consumer Advocate's Petition to Intervene.

reasonable.

4. Antioch has proposed to replace water boxes for all customers at a cost of approximately \$62,500.00, or \$250.00 per customer. If the Company installs meters at the time it installs new water boxes, the cost will increase to approximately \$75,000.00, or \$300.00 per customer. Installation of water boxes with meters would allow the Company at some future time to implement rates based on usage and constitute a much-needed improvement to the Company's system. The replacement of the water boxes can take place over time and is not included in the list of the Company's immediate necessities. Installation of the water boxes with meters over a three (3) year period will lessen the Company's requested revenue requirement and allow the Company more time to complete the work adequately. The Authority finds that an amount of \$25,000.00 per year over the next three (3) years is reasonable.

5. Antioch proposed a salary for each partner in the amount of \$22,720.00 per year. The engineer's report estimates the labor expenses for the Company's operations to be \$24,000.00 per year. Antioch's partners intend to perform these duties. The Authority finds that a salary of \$12,000.00 per year for each partner, as an expense item, is reasonable.

6. Antioch proposed an increase in tap fees from \$500.00 to \$1,000.00 for new connections to the system. After considering the whole of the record under the circumstances and the purposes for which the tap fee is used, the Authority finds that a tap fee of \$1,000.00 for new connections is reasonable.

7. Antioch requested a reasonable margin on operating expenses of twenty percent (20%). This request is not supported by the evidence presented by Antioch. Based on the record, the Authority finds that a fifteen percent (15%) rate of return on rate base is just and reasonable. The Company used a test year of 1999 and an attrition year of 2000. Due to the

continuation of the proceeding, it is necessary to revise the attrition period to the twelve (12) months ending December 31, 2001.

8. Upon a review of the evidentiary record, including the engineer's report and the Staff Report, the Authority finds that a rate increase is justifiable and that a new rate of twenty-two dollars (\$22.00) per month is just and reasonable. While this rate is substantially lower than the increase requested by Antioch, it is sufficient to permit the Company to make the necessary improvements and earn a fair rate of return.

9. Until notified otherwise, Antioch shall file quarterly reports with the Authority setting forth the status and progress of the necessary improvements to the system.

IT IS THEREFORE ORDERED THAT:

1. The Petition to Intervene filed by the Consumer Advocate and Protection Division is denied;

2. The Company shall report within thirty (30) days from the date of this Order that it is in compliance with the findings of the Authority Staff's compliance audit report;

3. The Company shall proceed immediately with improvements deemed necessary, as set forth in the Authority Staff's compliance audit report, at a cost of approximately \$47,150.00;

4. The Company shall replace the water boxes and install meters for all customers, such replacements to be completed within three (3) years, at a total cost of approximately \$75,000;

5. The Company is authorized to pay each partner a salary of \$12,000.00 per year as a reasonable compensation for labor performed for the Company and to treat such payment as an expense item;

6. The Company is authorized to increase tap fees from \$500.00 to \$1,000.00 for new connections to the system;

7. The Company's authorized rate of return on its rate base is set at fifteen percent (15%), and the Company's attrition period is revised to the twelve (12) months ending December 31, 2001;

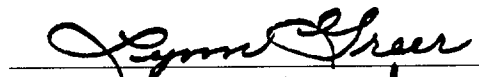
8. The new rate for water service is set at twenty-two dollars (\$22.00) per month;

9. Until notified otherwise, the Company shall file quarterly reports with the Authority setting forth the status and progress of the necessary improvements to the system;

10. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order; and

11. Any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN RE: APPLICATION OF ANTIOCH
WATER COMPANY TO INCREASE
ITS RATES

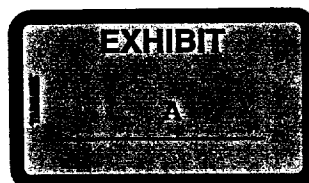
No. 99-00584 AUG 11 PM 12

REC'D TN
REGULATORY AUTHORITY
OFFICE OF THE
EXECUTIVE SECRETARY

PETITION

Petitioner, ANTIOCH WATER COMPANY, would respectfully show to the Authority as follows:

1. That it is a utility company with its principal place of business located at 11230 Highway 79 North, Buchanan, TN, 38222.
2. That it is a public utility as defined in T.C.A. 65-4-101 and subject to the regulations of the Tennessee Regulatory Authority. It was granted its original Certificate of Convenience and Necessity from this Authority on April 16, 1996, and has since been operating a private utility within the 13th Civil District of Henry County, Tennessee.
3. That pursuant to previous orders of the Tennessee Regulatory Authority, the following rate for monthly service was authorized: \$15.00 per month plus \$1.48 tax, with no minimum or maximum usage on gallons of water.
4. Petitioner submits periodic financial statements to the Tennessee Regulatory Authority. The Exhibit attached hereto as Cumulative Exhibit 1 reflects an a projected loss for 1999. Petitioner further submits that there are numerous improvements to the water system which are necessary at this time, and that the total cost of such improvements is approximately \$123,500.00. An itemized list of necessary



improvements is attached as Exhibit 2. The projection for 1999 reflects a projected percentage increase in water rates of 142% needed.

Thus, Petitioner would show that in order to continue to operate and service its customers, and to eventually provide a rate of return on the owner's investment, the existing rates should be increased as follows: .


(A) Monthly water service rates for all customers should be increased by 142% .

(B) Tap fee rates for all customers should be increased from \$500.00 to \$1,000.00.

WHEREFORE, PETITIONER PRAYS:

1. That the Tennessee Regulatory Authority approve an increase in rates and tap fees as aforesaid.
2. That this matter be set for a hearing at a very early date, for Petitioner needs immediate emergency relief.
3. For such other relief as it may be entitled to.

Respectfully submitted, this 6th day of August, 1999.


J. GILBERT PARRISH, JR.
TN BPR #010573
Attorney for Petitioner
605 Court Street
Savannah, TN 38372
(901) 925-1966

ANTIOCH WATER COMPANY
11230 Highway 79 North
Buchanan, TN 38222

By: 
RANDY C. ALLEN, Owner

By: 
TED R. FIELDS, Owner

ANTIOCH WATER COMPANY - PTRSHP
REQUEST FOR WATER RATE INCREASE

EFFECTIVE JULY 1, 1999

	ACTUAL <u>1998</u>	PROJECTED <u>1999</u>
GROSS REVENUES - RESIDENTIAL	\$44,359	\$44,359
OPERATING EXPENSES:		
Salaries and Wages - Partners (See Note 1)	-0-	45,440
Mileage reimbursements (See Note 2)	3,296	3,395
Legal and Accounting (See Note 3)	2,500	8,075
Taxes and Licenses (See Note 2)	1,895	1,952
Professional fees (See Note 2)	1,562	1,609
Telephone and Utilities (See Note 2)	1,097	1,130
Supplies (See Note 2)	937	965
Repairs and Maintenance (See Note 4)	802	6,526
Office supplies (See Note 2)	693	714
Insurance (See Note 2)	636	655
Sub-let Labor (See Note 2)	570	587
Interest expense (See Note 5)	529	5,274
Depreciation (See Note 6)	9,344	9,826
Other expenses (See Note 2)	<u>200</u>	<u>206</u>
TOTAL EXPENSES	<u>24,061</u>	<u>86,354</u>
OPERATING MARGIN (DEFICIT)	<u>20,298</u>	<u>(41,995)</u>
OTHER INCOMES:		
Gain on sale of land	2,000	-0-
Interest income (See Note 7)	<u>221</u>	<u>310</u>
TOTAL OTHER INCOMES	<u>2,221</u>	<u>310</u>
NET OPERATING INCOME (DEFICIT)	<u>\$22,519</u>	<u>(\$41,685)</u>
Required Rate on Rate Base		<u>N/A</u>
Revenue Increase Needed - See Page 2		<u>\$63,231</u>
Projected 1999 Revenue, Before Increase		<u>\$44,669</u>
Projected Percentages Increase in Rate Needed		<u>142%</u>
Number of Subscribers	<u>242</u>	<u>242</u>

ANTIOCH WATER COMPANY - PTRSHP

REQUIRED RETURN ON RATE BASE

EFFECTIVE JULY 1, 1999

INCREASE IN REVENUE NEEDED

The rate should be established based on a reasonable margin above operation expenses.

	ACTUAL 1998	PROJECTED 1999
Operating Expense	24,061	86,354
Reasonable Margin (20% of Adjusted Revenue)	<u>5,939</u>	<u>21,546</u>
ADJUSTED REVENUE	30,000	107,900
Gross Revenue Before Increase	<u>(46,580)</u>	<u>(44,669)</u>
(DECREASE) INCREASE IN REVENUE NEEDED	<u>(\$16,580)</u>	<u>\$ 63,231</u>

ANTIOCH WATER COMPANY - PTRSHP

NOTES TO 1999 PROJECTED AMOUNTS

EFFECTIVE JULY 1, 1999

- NOTE 1 - This entity is a Partnership. Since this business started March 31, 1993 the 2 partners have only been taking out enough money to get them by. Thus starting in 1999 the 2 partners will pay themselves a wage of \$22,720 each which is at least the amount they would have to pay other people to perform the same duties, and probably would have to pay other people more.
- 2 - Estimating a 3% increase in inflation rate combined with Consumer Price Index to prior year actual amounts.
- 3 - 3% increase in prior year legal and accounting, due to Note 2 above, plus additional legal fees of \$4,000 and accounting fees of \$1,500 due to preparing paperwork and getting rate increase approval by TRA.
- 4 - 3% increase in prior year repairs and maintenance, due to Note 2 above, plus estimated additional expenses of \$5,700 for repairs and maintenance needed on system now.
- 5 - Estimated interest expense due on present note for 1999 of \$117, plus taking into consideration borrowing approximately \$125,000 for capital additions needing to substantial replace and extend the life of existing water system along with repairs and maintenance to keep system working presently. Interest will be computed on \$125,000 for 10 years at an approximate interest rate of 10%, so for 1999 the interest expense should be increased \$5,157 for 1999 Projected year.
- 6 - Estimated depreciation for Projection Year 1999 is from depreciation carryforward schedule in the amount of \$4,218 plus depreciation per Note 5 above of approximately $\$112,150 \div 10 \text{ years} \times 1/2 \text{ year} = \$5,608$.
- 7 - Estimating interest earned on sale of land and savings account should be approximately \$310 for 1999, Projected Year.

EXHIBIT 2

IMPROVEMENT LIST AND COSTS

1. Alternative Power Source:
Harbor Equipment Generator - \$4,500
Labor for Electrical Hook-Up - \$500
TOTAL: \$5,000
2. Rebuild Chlorination System:
Repair Parts and Pumps - \$750 (Buford Brothers)
Labor for Swapping Out Pumps and Repairs - \$150
TOTAL: \$900
3. Purchase a Backup Motor and Pump (Smith Electric) - \$2,500
Repair Existing Motor and Pumps - \$1,250 or 2 for \$2,500
TOTAL: \$5,000
4. Replace Old Gate Valves, Bore Out and Replace Impellar Housing
on Both Pump Motors (G & C Supply) - \$800
TOTAL: \$800
5. Pump House Repair:
Parts - \$1,500
Labor - \$2,500
TOTAL: \$4,000
6. Larger Pressure Tank:
Plumbing - \$5,000
Labor - \$800
Construction Labor - \$800
Electrical Wiring Reworked and Labor - \$1,200
Parts and Materials - \$1,100
TOTAL: \$8,900
7. Purchase a Larger Air Compressor:
Parts - \$3,000
Labor - \$750
Pumphouse Expansion - \$2,500
TOTAL: \$6,250
8. Update Billing – Computerize Bookkeeping - \$3,000
TOTAL: \$3,000

Page 2 – Improvement Lists and Costs

9. Repair and Replace Valves in Water Boxes - \$250/box times the number of boxes (250) - \$62,500
TOTAL: \$62,500
10. Repair and Replace Cut-Off Valves:
24 total valves at \$500/each - \$12,000
24 TOTAL: \$12,000
11. Install Six (6) Additional Flush Valves at \$500/each - \$3,000
TOTAL: \$3,000
12. Rebuild Entire Electrical System:
Switches, Relays, Timers, and Capisators (Wofford Electric) - \$6,500
TOTAL: \$6,500
13. Cash Reserves – 1/12 of Gross Operating Expense
14. Legal Fees - \$4,000
15. Accounting Fees - \$1,500

Before The
PUBLIC SERVICE COMMISSION
Of The
STATE OF TENNESSEE

in re:

ANTIOCH WATER COMPANY - PTRSHP

(Docket No. _____)

Testimony
Of
Jerry C. Bailey, C.P.A.

July 1999

1 Q. Please state your name for the record, please.

2 A. My name is Jerry C. Bailey, C.P.A.

3 Q. By whom are you employed and what is your position?

4 A. I am self-employed as a Certified Public Accountant and owner of my own business.

5 Q. How long have you been acquainted with the finances of Antioch Water Company (A

6 Partnership)?

7 A. I have been involved with the finances of the Partnership and the partners since 1993.

8 Q. What is your educational background and what degrees do you hold?

9 A. I received a Bachelors degree in Business from Saint Bernard College in May 1976.

10 I have been a Certified Public Accountant in Alabama since 1982 and in Tennessee

11 since 1986.

12 Q. Would you briefly describe your role as independent C.P.A. for Antioch Water

13 Company (A Partnership)?

14 A. I advise the Partners on financial and tax matters of the partnership.

14 Q. What is the purpose of your testimony?

15 A. The purpose of my testimony is to present information in support of the petition of

16 Antioch Water Company (A Partnership) for a water rate increase.

17 Q. Why is the Partnership filing this petition for a rate increase?

18 A. The Partnership is filing this petition for a rate increase because the Partnership

19 has been able to generate only the funds necessary to keep the facility in operation

1 and has not provided additional funds for necessary repairs and facility
2 improvements.

3 Q. Can you identify any specific reasons why the Partnership has been unable to generate
4 funds necessary for needed repairs and improvements?

5 A. Yes. The Partnership has been unable to generate funds necessary for needed repairs
6 because it has not had a rate increase since the facility was aquired in 1993. The
7 Partnership has experienced normal inflation over the past six years. The current rate
8 has provided only enough funds to keep the facility operational. Because of the age
9 of the facility, it is in desperate need of repair.

10 Q. Are you familiar with the projections filed with the Partnership's petition as
11 "Cumulative Exhibit 1"?

12 A. Yes, I am familiar with those projections. The projections were based on assumptions
13 provided by Randy Allen, a Partner in the Partnership.

14 Q. In your professional opinion, do you agree that this rate increase is necessary in order
15 for the Partnership to continue service to its customers without interruption?

16 A. Yes. In my professional opinion, the rate increase is necessary and reasonable in
17 order for the Partnership to continue to provide services to its customers. Without
18 this rate increase the Partnership will be unable to keep the facility in adequate
19 condition to be operational.

20 Q. Are the projections and this rate request based upon a return on rate base?

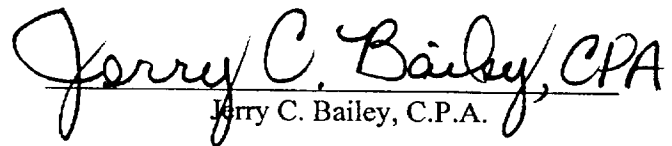
- 1 A. No. Because of the age of the Plant in Service and the amount of corresponding
2 accumulated depreciation, there is no rate base from Plant. This rate increase request
3 should be properly addressed based upon operating margin instead of rate base.
- 4 Q. Does this conclude your testimony?
- 5 A. Yes, it does.

Affidavit

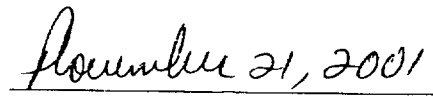
State of Tennessee)
)
County of Henry)

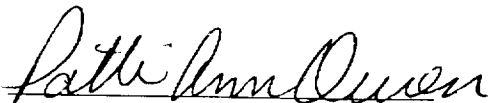
Jerry C. Bailey, C.P.A., being first duly sworn, deposes and says that he is the same
Jerry C. Bailey, C.P.A. whose prepared testimony accompanies this affidavit.

Jerry C. Bailey, C.P.A. further states that, to the best of his knowledge and belief, his
answers to the questions contained in such prepared testimony are true and accurate to the best of
his knowledge and belief.


Jerry C. Bailey, C.P.A.

Sworn to and subscribed before me,
a Notary Public, on this the 15th
day of July, 1999.


My Commission Expires:



Before The
Tennessee Regulatory Authority
Of The
State of Tennessee

in re:

ANTIOCH WATER COMPANY

(Docket No. _____)

Testimony
Of
Ted R. Fields

August, 1999

Q. Please state your name for the record.

A. My name is Ted R. Fields.

Q. By whom are you employed and what is your position?

A. I am employed by Antioch Water Company as a partner. I am also employed as a teacher with the Henry County Board of Education.

Q. How long have you been a partner in Antioch Water Company?

A. I have been a partner in Antioch Water Company for 6 years.

Q. Would you briefly describe your duties as a partner in Antioch Water Company?

A. I handle the accounts payable and receivable for the company. I also assist in maintenance and repairs as needed.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide information in support of the petition of Antioch Water Company (Company) for a water rate increase and tap rate increase.

Q. When was the company's last rate increase?

A. The last rate increase was in 1993. When we purchased the company, we standardized everyone's rate and established a flat rate of \$15.00 per month.

Q. Why is the company filing this petition for a rate increase?

A. The Company is filing this petition for a rate increase because the water system is in need of substantial repairs and will be operating at a projected loss for this year.

Q. Would you please summarize the Company's petition?

A. The Company has filed a petition requesting that all monthly service rates be increased by 142%. The Company has further requested that all tap fees be increased from \$500.00 to \$1,000.00.

Q. What does this 142% request translate into for monthly service fee for the Company's ratepayers?

A. For all customers, a 142% increase in water rates would mean that the flat monthly billing would go from \$15.00, plus tax, to \$36.30, plus tax.

Q. Can you identify specific reasons why the Company will be sustaining a projected operating loss for this year?

A. Yes. The Company has not had a rate increase since 1993, when all rates were standardized. The water system is in need of extensive repairs, which will total approximately \$123,500.00. We also are including \$45,000.00 per year to pay maintenance, repair, and administrative personnel costs. We also have additional legal and accounting fees for this year due to the filing of the petition for rate increase.

Q. Are there specific repairs which are now pending and necessary?

A. Yes. Extensive repairs are needed. A list of necessary repairs was attached to the petition as Exhibit 2.

Q. Will the Company be receiving material amounts of Contributions in Aid of Construction in the form of tap fees in the future?

A. No. We operate in a very limited area. Any expansion into new areas to service new customers will be very expensive and require the installation of new water lines.

Q. Are you aware of any complaints regarding the company's service?

A. We normally have complaints when there are emergency outages. In that situation, both my partner and I are on-call 24 hours. We restore service as soon as possible. We also have complaints when customers attempt to store minnows using water from our system and the chlorine kills the fish.

Q. Are there other issues which need to be discussed at this time?

A. No

Q. Does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF HENRY

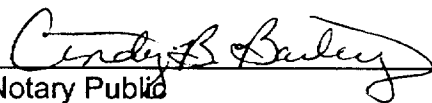
TED R. FIELDS, being first duly sworn, deposes and says that he is the same Ted R. Fields whose prepared testimony accompanies this affidavit.

TED R. FIELDS further states that, to the best of his knowledge and belief, his answers to the questions contained in such prepared testimony are true and accurate to the best of his knowledge and belief.


TED R. FIELDS

Sworn to and subscribed before me this the 29th day of August, 1999.

My Commission Expires: 12/22/99


Notary Public

Before The
Tennessee Regulatory Authority
Of The
State of Tennessee

in re:

ANTIOCH WATER COMPANY
(Docket No. _____)

Testimony
Of
Randy C. Allen

August, 1999

Q. Please state your name for the record.

A. My name is Randy C. Allen.

Q. By whom are you employed and what is your position?

A. I am employed by Antioch Water Company as a partner. I am also the owner of Riverwood Campgrounds and am self-employed in small-business development work.

Q. How long have you been a partner in Antioch Water Company?

A. I have been a partner in Antioch Water Company for 6 years.

Q. Would you briefly describe your duties as a partner in Antioch Water Company?

A. I handle the technical aspects of the system: testing water quality, filing necessary state reports, performing necessary repairs and routine maintenance.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide information in support of the petition of Antioch Water Company (Company) for a water rate increase and tap rate increase.

Q. When was the company's last rate increase?

A. The last rate increase was in 1993. When we purchased the company, we standardized everyone's rate and established a flat rate of \$15.00 per month.

Q. Why is the company filing this petition for a rate increase?

A. The Company is filing this petition for a rate increase because the water system is in need of substantial repairs and will be operating at a projected loss for this year.

Q. Would you please summarize the Company's petition?

A. The Company has filed a petition requesting that all monthly service rates be increased by 142%. The Company has further requested that all tap fees be increased from \$500.00 to \$1,000.00.

Q. What does this 142% request translate into for monthly service fee for the Company's ratepayers?

A. For all customers, a 142% increase in water rates would mean that the flat monthly billing would go from \$15.00 to \$36.30.

Q. Can you identify specific reasons why the Company will be sustaining a projected operating loss for this year?

A. Yes. The Company has not had a rate increase since 1993, when all rates were standardized. The water system is in need of extensive repairs, the cost of which will total approximately \$123,500.00. We also are including \$45,000.00 per year to pay maintenance, repair, and administrative personnel costs. We also have additional legal and accounting fees for this year due to the filing of the petition for rate increase.

Q. Are there specific repairs which are now pending and necessary?

A. Yes. Extensive repairs are needed. A list of necessary repairs was attached to the petition as Exhibit 2.

Q. Will the Company be receiving material amounts of Contributions in Aid of Construction in the form of tap fees in the future?

A. No. We operate in a very limited area. Any expansion into new areas to service new customers will be very expensive and require the installation of new water lines.

Q. Are you aware of any complaints regarding the company's service?

A. We normally have complaints when there are emergency outages. In that situation, both my partner and I are on-call 24 hours. We restore service as soon as possible. We also have complaints when customers attempt to store minnows using water from our system and the chlorine kills the fish.

Q. Are there other issues which need to be discussed at this time?

A. No

Q. Does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF HENRY

RANDY C. ALLEN, being first duly sworn, deposes and says that he is the same Randy C. Allen whose prepared testimony accompanies this affidavit.

RANDY C. ALLEN further states that, to the best of his knowledge and belief, his answers to the questions contained in such prepared testimony are true and accurate to the best of his knowledge and belief.

Randy C. Allen
RANDY C. ALLEN

Sworn to and subscribed before me this the 29th day of August, 1999.

My Commission Expires: 12/22/99

Cindy B. Bailey
Notary Public

EXHIBIT 5

ANTIOCH WATER COMPANY IMPROVEMENT LIST

Item Description	Estimated Cost	Capitalized	Expensed	Needed Immediately B/	Over Time
Alternative Power Source	5,000	5,000		5,000	-
Rebuild Chlorination System	900		900		
Backup Motor & Pump	2,500	2,500		2,500	-
Repair Existing Motor and Pumps	2,500 A/	2,500			
Replace Gate Valves, Replace Impellar Housing on Pump Motors	800		800		
Pump House Repair	4,000		4,000		
Larger Pressure Tank (5,000 gal.)	8,900	8,900		8,900	-
Larger Air Compressor (see above)	6,250	6,250		6,250	-
Computerize Bookkeeping	3,000	3,000		3,000	-
Water Box Valve Replacement	62,500	62,500			62,500 C/
Cut-Off Valves (Repair & Replace)	12,000	12,000		12,000	-
Six Additional Flush Valves	3,000	3,000		3,000	-
Rebuild Electrical System	6,500	6,500		6,500	-
Total	<u>117,850</u>	<u>112,150</u>	<u>5,700</u>	<u>47,150</u>	<u>62,500</u>

A/ 2 new pumps were purchased in 1999 eliminating the need for this improvement.

B/ As determined from discussions with owners and Brian Caton of the Tenn. Division Of Water Supply.

C/ Replacing valves can take place over time. Owners are considering installing meters at the time of replacement to facilitate transition to a metered based rate system. Estimated cost with meters (per Engineer's report at lowest estimate) is \$75,000 (250 boxes * \$300).

